

Message Text

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PAGE 01 ALGIER 01594 161331Z

42

ACTION NODS-00

INFO OCT-01 ISO-00 /001 W

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FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC IMMEDIATE 2734

C O N F I D E N T I A L ALGIERS 1594

NODIS

E.O. 11652: GDS

TAGS: ENRG, AG

SUBJ: ENERGY DIALOGUE: BOUMEDIENE LETTER OF JULY 15

REF: ALGIERS 1587

1. BOUMEDIENE JULY 15 LETTER BEARS CAREFUL READING. WHILE ITS TONE IS MODERATE, AND ALL THE RIGHT NOISES ARE MADE, ALGERIANS NOT ACTUALLY GIVING ANYTHING AWAY. THEY SUGGEST RESUMPTION OF DIALOGUE ON TERMS WHICH AMOUNT TO RECOGNITION THAT INDEXATION, OR SOME SUBSTITUTE THEREFORE, AND MONETARY REFORM ARE ON THE AGENDA AND THAT REPRESENTATION BE ENLARGED AS ENVISAGED BY THEM LAST SPRING.

2. IN MANY PLACES, LETTER READS LIKE REWORDING OF SECRETARY'S LETTER OF MAY 27. THERE IS AGREEMENT TO RECONVENING PARIS MEETING IN SAME FORMAT, THE SAME EXPRESSED DESIRE TO AVOID TEDIOUS, NON-PRODUCTIVE NEGOTIATION OVER DETAILS, AGREEMENT ON THE COMMISSION APPROACH, AGREEMENT ON NEED TO AVOID UNCTAD EXPERIENCE, APPARENT AGREEMENT ON OBJECTIVE CRITERIA FOR MEMBERSHIP, AND RECOGNITION OF THE PROBLEMS WE FACE IN MEETING LDC REQUIREMENTS.

3. COMMISSION AS ENVISAGED BY ALGERIANS, HOWEVER, WOULD BE SET UP BY LARGER PLENARY CONFERENCE AND THEIR MEMBERSHIP DECIDED BY LATTER, NOT BY PREPCON. THIS WOULD PROBABLY MEAN INCREASED ALGERIAN INFLUENCE OVER
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COMPOSITION.

4. RESUMPTION AND SUCCESS OF CONFERENCE WOULD DEPEND, ACCORDING TO LETTER, ON PROGRESS ON "THE PRINCIPLE AND PRACTICAL MEANS" TO ASSURE SAFEGUARDING PURCHASING POWER OF LDC EXPORTS. CONCEPT OF INDEXATION NOT MENTIONED BY NAME AND PRICE STABILIZATION IS IN EFFECT REJECTED. (EXPLANATION IS PERHAPS TO BE FOUND IN BOUMEDIENE'S REMARKS TO ME ABOUT BARTERING OIL FOR GOODS AND SERVICES. BARTER ARRANGEMENTS INCREASINGLY PROMINENT IN ALGERIAN DEALINGS WITH FOREIGN COMPANIES. THIS HAS BEEN USED PRIMARILY AS DEVICE TO MAINTAIN OFFICIAL OIL PRICE ABOVE MARKET VALUE. LOSS HAS BEEN PASSED ON TO ALGERIANS THROUGH RAISING PRICE OF GOODS AND SERVICES SUPPLIED BY FOREIGN CONTRACTORS. LATEST DEVELOPMENT IS ALGERIAN REFUSAL LAST WEEK TO SIGN CONTRACT TO BUY VOLVO TRUCKS WITH OIL UNTIL OIL PRICE INCREASED BY OPEC. ASSUME USG NOT INTERESTED IN SUCH ARRANGMENTS AND HAVE SO INFORMED BOUMEDIENE, BUT THIS IS IDEA ALGERIANS WILL CONTINUE TO PUSH AND MAY SUBSTITUTE FOR INDEXATION.)

5. ON MONETARY REFORM, MESSAGE SAYS SOLUTION OF PROBLEMS RELATIVE TO INTERNATIONAL MONETARY SYSTEM AND TRANSFER OF FINANCIAL RESOURCES IN FAVOR OF POORER COUNTRIES WOULD GREATLY FACILITATE STABILITY AND RESUMPTION OF GROWTH BY LDC'S. PROGRESS IN THIS RESPECT WOULD IN TURN FACILITATE SOLUTION OF OTHER PROBLEMS CONFERENCE WILL BE DEALING WITH. THIS IS APPARENT LINKAGE, BUT THERE IS SOME QUESTION LOCALLY AS TO JUST HOW SERIOUSLY ALGERIANS ARE INTERESTED IN MONETARY REFORM. IN JUNE ABDESSELAM TOLD FRENCH ALGERIA NOT INTERESTED BECAUSE IT HAD NO MONEY. WEEK LATER HE TOLD GERMANS IT WAS VERY IMPORTANT TO THEM. THERE IS SPECULATION THAT THIS APPARENT CHANGE OF HEART DUE TO SOME COMMITMENT GIVEN TO SAUDIS BY BOUTEFILKA IN EXCHANGE FOR LOANS.

6. LETTER GOES ON TO SAY THAT PROFOUND STUDY OF QUESTIONS RAISED BY TRANSFER OF TECHNOLOGIES WILL DETERMINE WHETHER EQUILIBRIUM BEING SOUGHT THROUGH DIALOGUE WILL BE REACHED. THIS SOUNDS MORE LIKE PIOUS HOPE THAN DIRECT LINKAGE, BUT THIS IDEA IS RECURRING ONE IN ALGERIAN
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STATEMENTS OF POSITION AND WE CAN EXPECT THEM TO PUSH IT HARD.

7. QUESTION: CAN WE MOVE MESSAGES ON THIS SUBJECT OUT OF NODIS CHANNEL?PARKER

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Message Attributes

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Margaret P. Grafeld
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